FILED

IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF INDIANA

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FOR THE ... COURT ... DISTRICT OF INDIANA

LAFAYETTE NEIGHBORHOOD Housing
SERVICES, INC.
Plaintiff
Vs.
NEIGHBORHOOD REINVESTMENT CORPORATION
d/b/a NEIGHBORWORKS AMERICA, INC.

Case Number

4:10CV0086

COMPLAINT

Comes now Lafayette Neighborhood Housing Services, Inc. (LNHS), by counsel, and hereby files its Complaint against NeighborWorks America, Inc. (NWA) for the reasons as follows:

I. JURISDICTION

1. That LNHS is an Indiana Non-For-Profit Corporation.

2. That NWA is not an Indiana Corporation.

3. That LNHS is a Non-For-Profit Indiana Corporation which currently provides assistance and support for community revitalization, homebuyer and homeowner education and counseling, homeowner repair, and homebuyer down payment assistance. All or part of LNHS's programs are available to the following counties: Benton, Boone, Carroll, , Clinton, Fountain, Tippecanoe, Montgomery, Warren, and White Counties LNHS has provided such services for 27 years . LNHS is also the leading provider of foreclosure counseling in this area.

4. That LNHS provided such assistance since 1983 as a Charter Member of NWA, the most recent agreement entered January 12, 2006, (Charter Agreement attached as Exhibit A).

5. NWA is a national nonprofit organization created by Congress in 1978 to provide financial support, technical assistance by Title VI of the Housing and Community Development Act of 1978 and training for community based revitalization efforts. Together with National and local partners, NWA created new opportunities for residents while improving communities. NWA's mission is to create opportunities through its members for people to live in affordable homes, improve their lives and strengthen their communities.

6. Though NWA is not the US Government, it is created and funded by and through the USA and is governed by the requirements of Title 5 §552 concerning Public Inspections Act, agency rules, opinions, orders, records and proceedings.

7. That LNHS was formed as a state chartered non-profit corporation, working to bring about reinvestment in one or more neighborhoods though progress of public and private investment, increased private lending and resident investing and to make affordable loans to homeowners not meeting private lending criteria as set forth under §8105(a)(1) of Title VI.

8. That Jurisdiction is based on 28 USC §(1334), and venue is proper in that NWA executed various contracts in Lafayette, Indiana and has a business nexus in Indiana.

II. FACTS

9. That LNHS as a charter member of NWA provided funding for Neighborhood revitalization in central Indiana in the sum of $35,355,000, provided loans to homeowners, who could not obtain private funded mortgages in the amount of over $36,877,000, serviced many of the loans originated and is the leading provider for loan modification and foreclosure assistance in Central Indiana.

10. That the work of LNHS was made possible through grants, loans, training and technical support by NWA, pursuant to Agreements last entered on October 28, 2008, attached as Exhibit B. Such support from NWA was often through seed money for projects, non-restrictive operating funds and professional consultants. No other alternate source for these types of funds is available to LNHS and the community it services. These funds helped LNHS directly or individually assist thousands of Indiana residents obtain and retain their homes.

11. That in 2006 in Central Indiana the housing and rental market became in distress; foreclosures increased and rental vacancies rose and real estate values dropped.

12. In 2006, LNHS owned and rented 28 low-income units; LNHS, in partnership with 5 financial institutions owned and rented 100 units of scattered-site low income housing; in partnership with financial institutions, including , Federal National Mortgage Association and others owned 50 Section 42 scattered-site rental units; in partnership with

investors, owned and rented 74 Section 42 housing apartments all for low income seniors . LNHS also originated through that date over $35,644,000 in first and second mortgages and provided down payment assistance for many low income families. All of the efforts of LNHS and its governmental, civic, financial institutions and private investors to provide housing for the area residents became difficult.

13. NWA became concerned as to LNHS financial condition, not management or operation condition and on August 10, 2007 placed NWA on a provisional charter membership subject to reinstatement as to its NWA charter and imposed conditions on LNHS set forth on Exhibit C attached hereto.

14. That LNHS initiated implementation of action to comply with NWA's conditions.

15. As of December 2008, LNHS believed it was in compliance and so advised NWA, who agreed (Exhibit D).

16. That as part of the resolution of the financial problems LNHS experienced, in July 2007 LNHS and its bank partners met and determined an orderly sale of LNHS real estate was to be accomplished.

17. All financial institutions agreed and NWA was apprised and concurred.

18. Unfortunately, Salin Bank obtained a judgment lien against LNHS and its real estate and refused to release its lien and allow sale of the assets.

19. LNHS and other financial institutions requested Salin to share pro-rata but Salin continued to refuse so LNHS with the consent of the financial

institutions and with the knowledge of NWA filed Chapter 11 in the US Bankruptcy Court, Lafayette Division under case # 07-40572.

20. That a complaint to avoid the judgment lien of Salin was filed and Salin's judgment was avoided in the US Bankruptcy Court.

21. The plan, as to the real estate of LNHS was implemented and real estate was sold and mortgages secured were assigned to Lenders.

22. A plan was confirmed on 12/19/08.

23. The Plan was premised on LNHS continued membership in NWA and its financial support and NWA acknowledged that upon approval of a Bankruptcy Plan provisional status would end and full charger membership rights would be restored (Exhibit D).

24. That NWA was apprised throughout the bankruptcy proceeding; NWA was provided a copy of the Disclosure Statement and Plan and the method of funding through NWA grants, loans, training and technical assistance. NWA stated no opposition.

25. That in December 2008 LNHS advised NWA, that the Plan was approved by the Bankruptcy Court and all conditions of the provisional charter agreement were met as to the provisional charter status and that Audits for 2006 and 2007 were provided and the 2006 Audit was approved (Exhibit E).

26. That on February 12, 2009 NWA revoked LNHS Charter without hearing and due process. NWA cited no basis in law, fact or its corporate

documents to base its revocation of Charter and was in violation of NWA's disaffiliation protocol.

27. That LNHS immediately notified NWA of its request to retain its charter; to have a hearing; to have a written statement setting forth the basis for the revocation of the Charter but NWA has refused all of LNHS continuing requests.

28. LNHS is now suffering financial distress caused by the loss of NWA funding.

29. That NWA terminated the Charter Agreement notwithstanding LNHS meeting all membership requests pursuant to the Disaffiliation Protocol as the Bankruptcy Plan was approved, certified audits for 2006 and 2007 were submitted. LNHS met all terms of the Memorandum of Understanding. Notwithstanding, in violation of NWA's protocol it terminated the charter.

30. LNHS and the community and individuals it serves are denied funds for improvement and revitalization of housing and neighborhoods in Central Indiana.

31. That NWA has initially acted in malice to deny LNHS its Charter membership in NWA and to deny rights and privileges associated therewith.

32. That LNHS has been denied NWA's reimbursement for loan modification and foreclosure counseling for residents of Central Indiana attempting to

retain their homes; operational grants, technical assistance, staff and leadership training and funding for community projects.

WHEREFORE, LNHS request the Court to:

1. Restore LNHS Charter Effective February 11, 2009.
2. Require NWA to provide the normal and customary grants, training and technical assistance NWA provides its charter members from February 11, 2009.
3. To pay LNHS for services provided for loan modifications and foreclosure counseling NWA provides it charter members.
4. To pay reasonable attorney fees and costs associated with this Complaint.
5. Such other relief as the Court determines proper.

Respectfully submitted,

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